

Wednesday September 16, 2009

Closing prices of September 15, 2009

For the second day in a row stocks rebounded from an early selloff to push indexes to new post-March highs. The ability to rally in spite of overbought conditions is a sign of strength. Breadth numbers continue to be very strong with the percent of stocks in the S&P 1500 now over their own 200-day moving averages at 91.2%, the highest number seen during this rally and the highest in years.

In the short-term stocks remain overbought with the percent over their own 10-day moving averages at a very high 87.67%. The S&P 500 has touched the down sloping 80-week moving average which is at 1052.49. The 400-day is at 1062.47. These have been important long-term trend lines for years, so how stocks react to them is of major importance to investors. Also, we are in a quadruple witching options expiration week. Therefore, caution is advised regarding entry points.

With September's well-known reputation as the weakest month of the year and October being famous for market crashes there are many market forecasters who have been predicting another plummet in equities during this time period. While we have been expecting a big increase in volatility, unless the recent reluctance on the part of investors to part with their stocks changes, we do not expect pullbacks to be too deep. Our strategy is simple. We will continue to be on the side of the primary trend, which is up. Market breadth remains very strong, with an amazing 91.2% of the S&P 1500 over their own 200-day moving averages, and 86.5% over their own 50-day. Until we see sellers becoming more aggressive we will be reluctant to call a top, and the path of least resistance will be up.

Based on the S&P 500 the short-term, intermediate-term and long-term trends are up. Traders should not hesitate to rotate out of lagging sectors and stocks and into leaders. Aggressive traders can enter short keeping in mind shorting is counter-trend and they may need to cover quickly.

The S&P 1500 (240.79) was up 0.3757% Tuesday. Average price per share was up 0.76%. Volume was 120% of its 10-day average and 118% of its 30-day average. 65.06% of the S&P 1500 stocks were up, with up volume at 48.82% and up points at 77.33%. Up Dollars was 79.18% of total dollars, and was 89% of its 10-day moving average. Down Dollars was 46% of its 10-day moving average.

Percent over 10-sma: 87.67%. 13-Week Closing Highs: 431. 13-Week Closing Lows: 6.

Put/Call Ratio: 0.757. Kaufman Options Indicator: 0.97.

P/E Ratios: **112.50 (before charges)**, 19.55 (continuing operations), 17.95 (analyst estimates).

P/E Yield 10-year Bond Yield Spreads: **-74% (earnings bef. charges)**, 48% (earnings continuing ops), and 61% (projected earnings).

499 of the S&P 500 have reported 2nd quarter earnings. According to Bloomberg, 72.3% had positive surprises, 8.6% were in line, and 19.1% have been negative. The year-over-year change has been -28.9% on a share-weighted basis, -21.3% market cap-weighted and -25.5% non-weighted. Ex-financial stocks these numbers are -27.9%, -23.0%, and -27.3 %, respectively.

IMPORTANT DISCLOSURES

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	Daily	WTD	5-Days	MTD	QTD	YTD
S&P Smallcap 600	0.86%	1.70%	4.37%	4.97%	18.24%	18.06%
S&P Midcap 400	0.83%	1.93%	4.65%	5.81%	19.79%	28.66%
Dow Jones Industrials	0.59%	0.81%	1.96%	1.97%	14.64%	10.33%
NYSE Composite	0.54%	1.07%	2.84%	4.12%	17.14%	20.15%
Nasdaq Composite	0.52%	1.04%	3.18%	4.66%	14.58%	33.33%
Bank of New York Mellon ADR	0.46%	0.64%	2.34%	5.09%	19.33%	28.51%
S&P 1500	0.38%	1.05%	2.88%	3.41%	15.05%	17.50%
Nasdaq 100	0.34%	0.83%	2.70%	4.57%	15.05%	40.27%
S&P 500	0.31%	0.95%	2.66%	3.14%	14.50%	16.54%

	Daily	WTD	5-Days	MTD	QTD	YTD
Materials	2.30%	3.87%	4.92%	7.41%	24.09%	39.33%
Industrials	1.23%	2.43%	5.42%	7.83%	22.68%	13.25%
Utilities	0.76%	2.32%	1.88%	1.06%	4.96%	0.68%
Energy	0.71%	1.25%	2.92%	5.40%	10.32%	6.75%
Information Technology	0.58%	0.65%	2.65%	3.60%	15.73%	43.60%
Consumer Discretionary	0.41%	0.86%	2.95%	4.21%	17.78%	26.63%
Telecom Services	0.34%	0.10%	2.88%	2.39%	3.51%	-3.46%
Financials	0.09%	1.54%	3.10%	0.37%	23.23%	17.37%
Consumer Staples	-0.61%	-0.61%	0.21%	1.28%	8.38%	4.65%
Health Care	-0.80%	-0.23%	1.34%	0.76%	8.76%	7.72%

	Daily	WTD	5-Days	MTD	QTD	YTD
Banks	3.03%	4.29%	6.28%	1.96%	21.29%	-5.64%
Materials	2.30%	3.87%	4.92%	7.41%	24.09%	39.33%
Real Estate	1.88%	4.95%	8.41%	7.88%	32.47%	10.57%
Capital Goods	1.67%	3.01%	5.46%	7.97%	23.49%	13.33%
Consumer Services	1.17%	1.60%	2.27%	2.78%	9.33%	10.45%
Media	0.83%	1.22%	6.62%	8.27%	21.63%	23.92%
Semiconductors & Equipment	0.80%	0.61%	0.10%	0.85%	20.72%	45.12%
Consumer Durables & Apparel	0.78%	1.23%	2.41%	3.44%	25.27%	23.84%
Utilities	0.76%	2.32%	1.88%	1.06%	4.96%	0.68%
Energy	0.71%	1.25%	2.92%	5.40%	10.32%	6.75%
Software & Services	0.58%	0.94%	3.43%	3.88%	10.81%	35.01%
Technology Hardware & Equipment	0.53%	0.44%	2.80%	4.21%	18.33%	50.41%
Telecom Services	0.34%	0.10%	2.88%	2.39%	3.51%	-3.46%
Transportation	0.24%	0.91%	6.16%	8.94%	23.82%	15.81%
Retailing	-0.14%	0.34%	0.73%	2.49%	15.84%	33.79%
Insurance	-0.24%	1.82%	3.95%	0.66%	29.85%	13.99%
Commercial & Professional Services	-0.34%	1.05%	2.70%	3.11%	11.21%	5.30%
Food, Beverage & Tobacco	-0.40%	-0.13%	0.48%	2.35%	8.22%	10.47%
Household & Personal Products	-0.50%	-1.01%	1.61%	0.86%	8.14%	-4.21%
Pharmaceuticals, Biotech & Life Sciences	-0.65%	-0.05%	0.93%	0.19%	7.14%	2.64%
Diversified Financials	-1.11%	0.00%	0.98%	-1.29%	20.68%	32.88%
Food & Staples Retailing	-1.12%	-1.18%	-1.59%	-0.42%	8.92%	2.90%
Health Care Equip & Services	-1.14%	-0.62%	2.27%	2.04%	12.50%	20.31%
Automobiles & Components	-1.39%	-0.76%	1.80%	1.00%	26.46%	84.00%

	Daily	WTD	5-Days	MTD	QTD	YTD
South Korea EWY	2.54%	1.63%	4.14%	9.50%	30.90%	62.82%
Canada EWC	2.42%	3.04%	4.67%	8.37%	20.31%	47.85%
Latin America ILF	1.47%	1.91%	3.41%	8.29%	19.60%	63.13%
MSCI Emerging Markets EEM	1.19%	0.82%	2.75%	8.10%	18.43%	52.86%
Mexico EWW	1.18%	0.43%	1.31%	5.40%	21.32%	38.58%
Spain EWP	1.16%	2.33%	3.12%	3.89%	23.34%	31.17%
Brazil EWZ	1.11%	2.32%	3.87%	9.86%	20.73%	82.77%
BRIC EEB	0.93%	1.48%	3.02%	9.44%	17.75%	63.75%
Taiwan EWT	0.93%	-0.17%	1.19%	10.24%	18.43%	57.44%
Austria EWO	0.85%	1.66%	3.72%	5.61%	32.94%	64.90%
France EWQ	0.75%	1.43%	3.52%	5.17%	25.16%	22.41%
Italy EWI	0.65%	1.56%	3.96%	5.86%	24.51%	23.37%
Belgium EWK	0.62%	1.02%	3.45%	7.05%	27.85%	47.77%
Germany EWG	0.59%	0.92%	3.92%	5.36%	22.52%	14.62%
Netherlands EWN	0.51%	0.77%	2.96%	5.83%	28.17%	31.37%
Sweden EWD	0.42%	0.80%	2.84%	4.10%	28.88%	53.41%
Malaysia EWM	0.20%	0.10%	0.60%	4.34%	13.48%	38.55%
United Kingdom EWU	0.13%	0.13%	2.34%	5.48%	19.38%	28.73%
Hong Kong EWH	0.00%	-0.45%	1.25%	6.66%	11.94%	48.31%
Australia EWA	0.00%	-0.51%	0.95%	5.18%	26.90%	52.18%
Switzerland EWL	-0.09%	0.75%	2.33%	3.46%	21.40%	15.97%
Singapore EWS	-0.09%	-1.11%	-0.56%	4.20%	18.18%	51.21%
China 25 FXI	-0.28%	-0.24%	-0.17%	7.58%	10.22%	45.38%
Japan EWJ	-0.78%	-1.17%	0.30%	-0.49%	7.85%	6.16%

S&P 500 Cash (1,049.03, 1,056.04, 1,043.42, 1,052.63, +3.29)



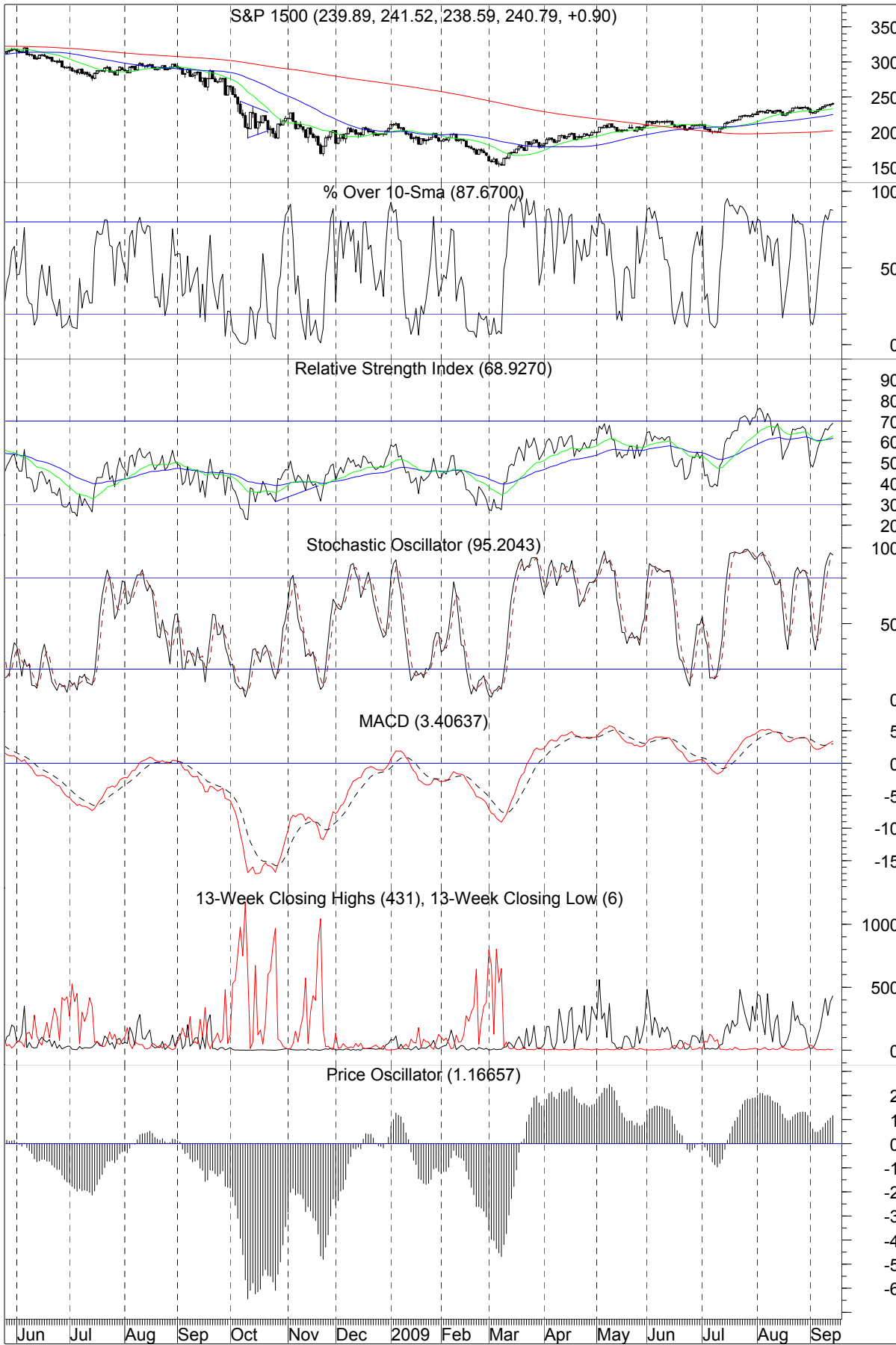
The S&P 500 made another post-march high Tuesday. It appears to be forming a bearish rising wedge pattern, although the number of touches on the trend lines isn't perfect. Wedges can break out in either direction. During the recent bear market multiple bearish wedges formed, and each time a break through the lower trend line led to sharp moves lower.

The MACD recently had a positive crossover.

NASDAQ 100 (1,691.28, 1,703.46, 1,688.46, 1,699.53, +5.77)

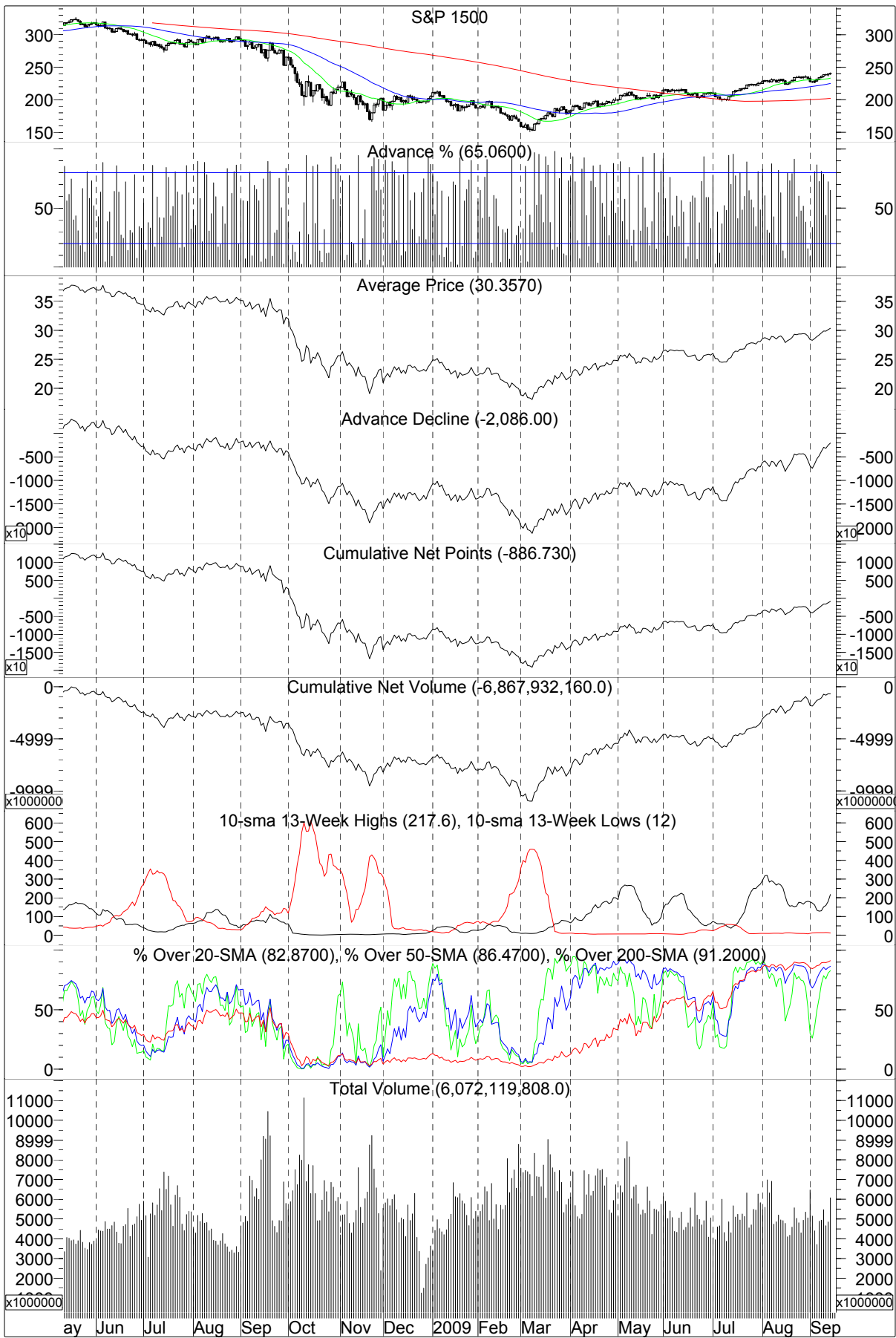


The Nasdaq 100 made another post-March high Tuesday.



87.67% of stocks are over their own 10-sma.

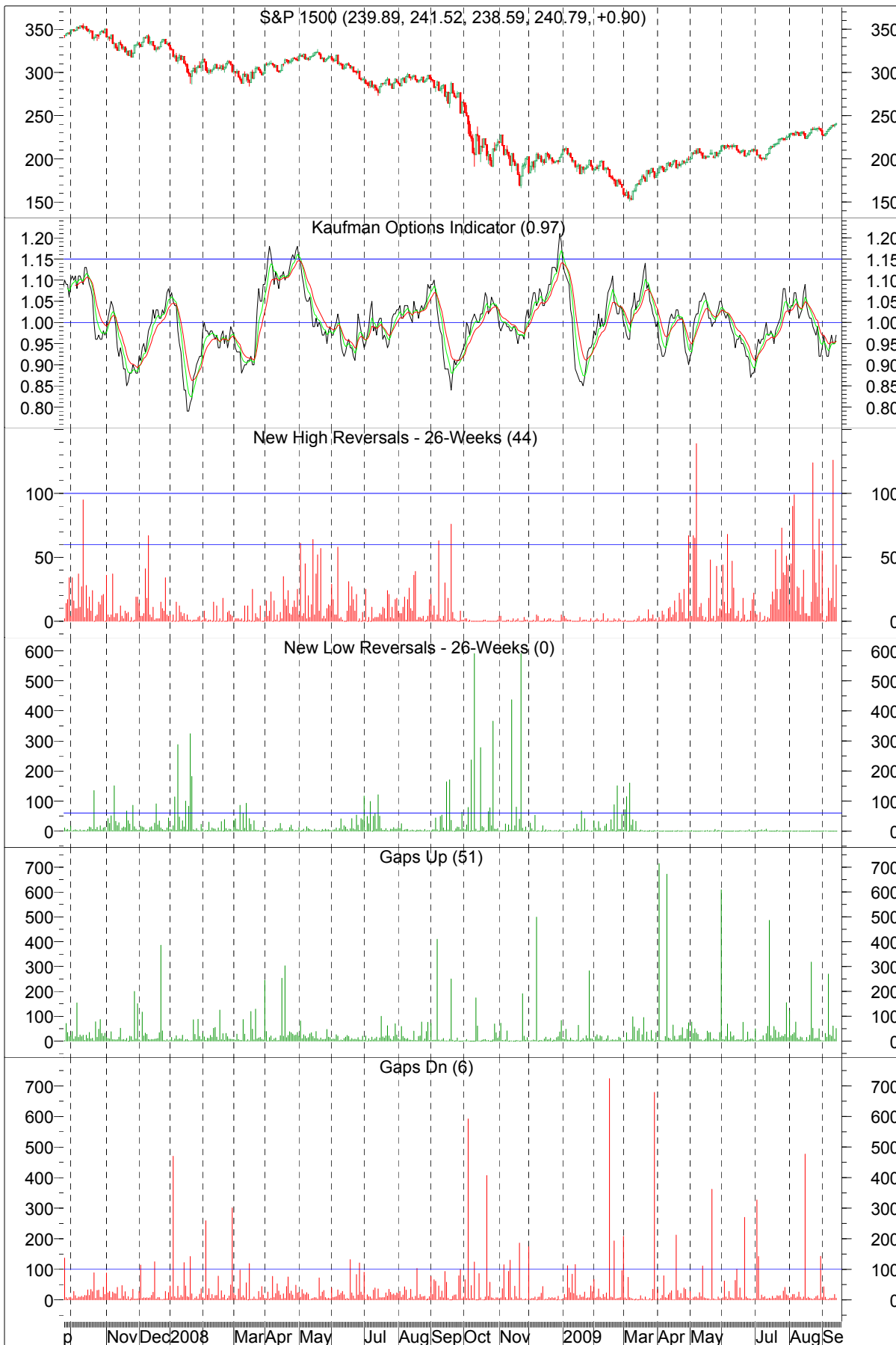
431 13-week closing highs Tuesday didn't exceed its recent range but is still a good number.



Only 65% of stocks advanced Tuesday.

91.2% of stocks are over their own 200-sma, the most post-March.

The Kaufman Report - Wayne S. Kaufman, CMT



Our options indicator is in negative territory but rising, showing the recent optimism of options buyers. Too much optimism leaves stocks vulnerable to a drop. From this level stocks can go either way.